



STATE OF INDIANA
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Mitchell E. Daniels, Jr.
Governor

News Release
For immediate release

Governor outlines plans to attack “brain drain”

INDIANAPOLIS (December 14, 2006) -- Governor Mitch Daniels today proposed to transform higher education in Indiana by creating a new scholarship for top Hoosier students who remain in-state after graduation, as well as a fund that will enhance the state’s key knowledge-based industries by bringing world-class researchers and scholars to Indiana’s public universities.

The scholarships, to be called Hoosier Hope Scholarships, would provide annual stipends in the form of forgivable loans to outstanding Indiana high school graduates who attend any Indiana college or university and agree to work in the state for at least three years after graduation. Students who leave the state would have to repay the loans to the state.

The World Class Scholars Fund would create endowments to cover salary and start-up costs for renowned researchers and scholars recruited to Indiana’s public universities from outside the state. All grants from the fund would require matching contributions from the universities, and it is expected that most would be matched on well over a dollar-for-dollar basis.

“To achieve the greatness of which Indiana is capable, we must have true excellence in higher education, and we must keep more of the graduates of that system here at home, helping build our future,” said Daniels.

Forty-five percent of all Indiana public post-secondary graduates leave Indiana after graduating, and Indiana ranks 44th among states for its share of population over the age of 25 with a bachelor’s degree, behind such states as South Carolina, Georgia, Tennessee and New Mexico.

The governor proposed franchising the Hoosier Lottery for a fixed term to a contractor, which would operate the Lottery while continuing current payment levels to the state. The state would license and regulate the operator, as it does today with casinos and horse tracks that are run by private companies.

Daniels said the state would seek a bid that would provide for an up-front payment, a continued annual payment to the state of \$200 million (just above the average of the last four years of lottery returns) and an ongoing percentage of the operator’s revenue, such as 5 percent of revenue above \$700 million.

As the current lottery earnings stream does today, the annual payment would continue to fund police, fire and teachers pensions as well as local motor vehicle excise tax replacement and state and local capital projects.

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Sixty percent of the up-front proceeds would be placed in a permanent endowment. Interest would be used for scholarships for outstanding high school graduates who enroll in a fulltime degree program and any private or public institution in Indiana. The scholarship fund would work as follows:

- Students attending four-year institutions could receive a total of \$20,000 for tuition, fees, books and other expenses; those attending two-year institutions could receive a total of \$5,000, with opportunity to automatically be eligible for two additional years of funding at a four-year institution.
- The awards would take the form of a forgivable loan that would not have to be repaid if the student stays in Indiana to work for three years after completing studies.
- Scholarships would be based on merit. Scores on the SAT or ACT exam, cumulative grade point average (GPA) and class rank would be key award criteria. Once awarded, students would be required to maintain a 3.0 GPA and complete studies in the time specified by their degree program, to continue to receive awards each year.

The State Student Assistance Commission of Indiana (SSACI) would administer the program. The number of scholarships awarded each year would be based on the endowment’s annual earnings, but a specified number would be reserved for those who enroll in a two-year degree program. Those students will be encouraged to continue studies by becoming automatically eligible for two more years of funding if they enroll in a four-year school.

“This proposal is vital as we focus on the workforce needs of Indiana. Specifically, this franchise concept will allow us to address the immediate life science and bio science workforce needs in Bloomington and central Indiana, where we need more than 2,000 trained workers in the next five years,” said Gerald Lamkin, president of Ivy Tech Community College.

The other 40 percent of up-front proceeds would be used in the World Class Scholars Fund to attract outstanding faculty to public college and universities in Indiana. Though the faculty grants could be accessed only by public colleges and universities, Indiana’s private colleges could participate through collaborative proposals. The World Class Scholars Fund would be amortized over 10 years, and all grants would require matching contributions from the institutions which receive them.

“Our state has incredible opportunities to become a leader in several economic sectors that depend on a strong higher education system. Indiana can be a significant player in the advanced manufacturing, high-technology economy that will dominate this century,” said Martin Jischke, president of Purdue University. “Governor Daniels’ proposal will position Indiana very favorably by making our universities stronger, supporting our top students as they pursue their degrees in our state and encouraging them to live and work here.”

If the state achieved up-front proceeds of \$1 billion, for example, \$600 million would be directed to the Hoosier Hope scholarships. That amount would mean some 1,700 Indiana high school graduates annually would receive financial assistance. The other 40 percent, or \$400 million, in this scenario, would be used for the World Class Scholars Fund. Each year, \$50 million would be available and leveraged to at least double that amount through matching university funds and federal grants. Each awarded grant, which universities would place into an endowment, could range from \$500,000 to \$3 million.

The state’s Public Finance Office soon will issue a request for qualifications to begin to identify interest in the transaction. The governor also will seek legislation to franchise the lottery operation and to specify the uses of the two trust funds.

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